That day I decided to present to the board a program of economic policy based on the combination of two ideas: to establish public works, and to fight deflation by injecting purchasing power into the economy through bank credits. My report was ready two weeks later. It provoked sharp controversy. The union presidents were all for public works but could not grasp the idea of financing public works through credit, as an antideflationary measure. One of them shouted angrily, "Now, I don't understand a damned thing. I paid sixty marks for this suit. Do you wish me to pay eighty marks for it?"

I replied, "If you were out of work, you could not buy a new vest for five marks. I wish you to pay a hundred marks for the suit and twenty marks for the vest, and still have enough money to buy a pair of trousers worth fifty marks."

This argument stuck. He got the point, and later used the argument in his speeches. Leipart said meditatively, "At least we have a practical proposal, the first practical suggestion since unemployment began to rise. Maybe there is something in it. . . . Doctor, turn your statistical department over to somebody else or let it go to hell altogether. From now on, work only on your economic program."

A PROGRAM TO END DEPRESSION

After the meeting, Erdman suggested that I start a public campaign for my program at once, without waiting for the board's formal decision. He offered to carry my articles in *Die Arbeit*. His magazine became the advocate of what became known as "the active economic policy," built around two ideas—public works and support of prices through bank credits to finance these works. The second proposal implied public spending and unbalancing the budget not only as a means of financing public works but also as a vehicle for injecting purchasing power into the anemic economic system and reversing the deflationary spiral.

I was not then familiar with the early works of Keynes, which would have helped me in developing my arguments. But in the reports of the Financial Section of the League of Nations on gold policy I found the answer to the problem. A moderate increase of purchasing power or money in circulation would raise the price level or stop its decline and would encourage expansion of production without danger of a runaway depreciation of the currency. Partly under the influence of these reports, I decided to present my plan in terms of an international policy in the struggle against the world crisis.[5]

[5] I developed these ideas in a book *Internationale Hebung der Preise als Ausweg aus der Weltkrise* and in a series of articles in *Labor, the International Labor* Re-